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DAN SMOOT

TAX REFORM — PART V

Union bosses were the most powerful of all lobbyists for the Tax Reform Act of 1969 (HR 13270). They did not entirely like the bill as passed by the House, because it did not go far enough to please them. It did not, the union bosses said, close enough loopholes for the rich. Union bosses favored elimination of the investment-credit tax for industry, but thought the oil depletion allowance should have been more sharply reduced, or eliminated; they wanted the provisions against "hobby farmers" to be more severe; and so on.

But, for the most part, union bosses were pleased with the "tax justice" that HR 13270 did achieve, considering it a step in the right direction. George Meany (AFL-CIO president), warning the Senate not to weaken the bill, told Senators to "guard against attempts by lobbyists to preserve and widen their special-interest loopholes."[1]

The hypocrisy of all this union propaganda for "tax justice" and "closing loopholes for the rich" is especially galling, because the most outrageous of all tax loopholes favoring the super-rich is the tax exemption that unions enjoy. And this loophole is not even mentioned in the Tax Reform Act of 1969.

Tax-exempt unions have literally billions of dollars invested in banks, hotels, garages, supermarkets, shopping plazas, office buildings, and practically every other kind of profit-making enterprise. Annual union income from such profit-making business investments is about $1.5 billion.[2] It is all tax free, and nowhere mentioned in the Tax Reform Act of 1969.

Tax-exempt unions have an additional $1.5 billion annual income from dues paid by members.[2] Nineteen states have enacted right-to-work laws to protect workers from being forced to pay union dues. But in the other 31 states, federal labor laws enable unions to collect membership dues from workers in unionized plants, even if the workers do not belong to unions.

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Thus, a goodly portion of the monopolistic unions' $1.5 billion annual income from membership dues is taken away from workers against their will. The effect on the workers is actually worse than if they had been victims of armed robbery. If the money had been taken away from them by armed robbers, there could be some hope that the hoodlums would be caught and punished, and their depradations stopped. Federal law *approves* the pillaging of unwilling workers by monopolistic unions. Moreover, union bosses use the dues of workers to support political candidates who are often repugnant to those who are forced to pay the dues — and to propagandize for legislation (such as war-on-poverty bills and civil-rights acts) that are hateful and harmful to workers.

The federal Corrupt Practices Act prohibits such use of union funds; but union bosses spend millions of dollars a year on political activity, in open defiance of the law.

Many members of Congress owe their elections to the efforts and money of union bosses. Other members of Congress, and Presidents (whether they have union support or not) are afraid of the political power of unions. Consequently, union bosses — powerful and arrogant — operate beyond the reach of the law.

This accounts for the fact the House passed a Tax Reform Act, ostensibly to close loopholes for the rich, without ever mentioning the worst loophole of all — the total exemption from taxation of $3 billion of annual union income, half of which comes from profits on business enterprises, the other half from compulsory union dues imposed on workers.

Union-boss domination of Members of Congress also accounts for the fact that the Senate Finance Committee killed an amendment to HR 13270, proposed by Senator Paul Fannin (Arizona Republican). Senator Fannin would eliminate the tax exemption presently given to the investment income of unions, and would remove the tax exemption of unions' dues-income if the unions make political contributions, attempt to influence legislation, or engage in any other form of political activity.

The Fannin amendment was killed in the Senate Finance Committee by an 8-8 tie vote. The eight Senators on the Finance Committee who voted to continue the unions' special tax exemption (that is, who voted *against* the Fannin amendment) were, predictably, Clinton P. Anderson of New Mexico, Russell B. Long of Louisiana, Albert Gore of Tennessee, Eugene J. McCarthy of Minnesota, Vance Hartke of Indiana, Abraham Ribicoff of Connecticut, Fred R. Harris of Oklahoma, J. W. Fulbright of Arkansas — all Democrats.[3]

Senator Herman Talmadge (Georgia Democrat) was the only member of the Senate Finance Committee who did not vote on the Fannin amendment to the Tax Reform Act of 1969. It was Talmadge's failure to vote that produced a tie, and thus killed the amendment. Talmadge was at the Committee meeting in the morning, but left before the Fannin amendment was put to a vote.[3] Georgia is a right-to-work state, which means that there is widespread opposition in Georgia to compulsory unionism. It seems apparent, therefore, that Talmadge deliberately avoided voting on the Fannin amendment — to help the union bosses, without going on record as helping them.

Senator Fannin plans to introduce his amendment to HR 13270 from the floor when the bill is considered by the whole Senate. But large numbers of U.S. Senators owe their elections to union money and union staff time contributed by union bosses. Other Senators who have had no appreciable union support still hope to get it — or they are such political cowards that they are afraid of the union bosses.

There is virtually no hope that Congress will vote to impose on unions the taxes that union bosses order Congress to impose on others.

In 1848, Karl Marx published the Communist Manifesto, listing a 10-point program for destroying free-enterprise private capitalism and substituting socialism. The first two points:

—A heavy progressive or graduated income tax;

—Abolition of all right of inheritance.

In 1913, the Sixteenth Amendment was added

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to the U.S. Constitution, giving Congress unlimited power "to lay and collect taxes on incomes, from whatever source derived."

In the first income tax levied by Congress, no tax was imposed on incomes of $3000 a year or less. The top rate was 7%. By 1945, the personal exemption from federal income tax had shrunk to $600 a year; and the top rate had risen to 94%. The top rate later dropped to 91%, and was reduced to 70% in 1964; but the addition of the 10% surtax in 1968 raised the rate to 77%.[4]

In 1957, the Legislative Reference Service of the Library of Congress published a study (made at the request of 17 Members of Congress) concerning the "Adverse Effects of Expanding Government." In the chapter on the effects of high taxes, the Library of Congress study said:

"The greatest danger of high taxation lies in the fact that we are proceeding in the direction which Karl Marx in 1848 predicted would be the road to destruction of capitalism, namely, destruction of the middle class with the aid of a highly progressive tax."[5]

Congress has not yet abolished "all right of inheritance," as Karl Marx prescribed, but has increased the rates of inheritance taxes until the top rate is now 77%.

In short, the federal income-tax system is inequitable because it was intended to be inequitable. Its primary purpose is not to perform the legitimate function of raising needed revenue for the government, but to change or destroy an economic system.

The federal income tax is a corrupter and despoiler of the people.

Contemplate the obvious effects of an income tax which begins at 14% of a person's taxable income and is steeply graduated to 77%. When the taxpayer's income rises to the 51% level (when his income is big enough that the federal government takes 51% of what he makes), he must de-emphasize creative and productive activity, and concentrate on tax-avoidance activity.

Contemplate the obvious effects on a working taxpayer who becomes aware that his government is spending his tax money on people and programs that are ruining his country. Keeping his money out of the hands of federal tax collectors sometimes becomes a virtue to him, no matter how he has to do it. He will also do whatever he can to get whatever he can from the government, because "everyone else is getting it, and part of it is my money, and I would be a fool not to get as much of it back as I can."

When disrespect for government and law is widespread, so is crime.

The federal income-tax system — encouraging people to evade and dodge the tax laws, and making a virtue of getting something for nothing — is doubtless a major contributing cause of the raging lawlessness that now threatens our civilization.

The monstrous system cannot be reformed. It must be abolished.

What are the alternatives to the income tax?

T. Coleman Andrews, former Internal Revenue Service Commissioner, says the Added Value Tax may be the answer. It is being used successfully in European countries, and was suggested for the U.S. 28 years ago. Every business firm makes a one-page tax return, showing the total amount of money taken in from sales during the tax year, and the total paid out for goods and services, and state and local taxes. If receipts exceed disbursements, the difference is considered the value added to the products (or services) of the company. This value added is taxed at the same rate for all businesses. Mr. Andrews says it is reliably estimated that an Added Value Tax of 13.1% on all businesses in the U.S. would produce as much revenue as now being produced by all federal income taxes on corporations and individuals.[4]

Another substitute for federal income tax would be a low, flat-rate retail-sales tax imposed on all goods and services (*after* the hodgepodge of existing federal retail-sales taxes are repealed).

This would be an equitable tax, imposed on all alike, giving politicians and bureaucrats no opportunity to discriminate for or against anyone. It would be a visible tax: everyone who

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bought anything would be aware of how much federal tax he paid. It would be pay-as-you-go tax, without the unconstitutional, enforced-servitude features of the present withholding system. It would eliminate the mammoth tax-avoidance industry which has grown on our present tax system. It would eliminate the special privileges now enjoyed by certain super-rich individuals and by the super-rich labor unions, foundations, cooperatives, and church-owned businesses. It would sharply reduce the possibility of tax evasion, and the cost of administration and enforcement.

A low, flat-rate federal retail-sales tax (imposed *only* after the income tax and other federal retail-sales taxes are abolished) would also sharply reduce consumer prices, because it would eliminate the host of hidden taxes that now account for much of the high price of consumer goods and services.

At any rate, an *equitable* taxing system (whether it be the Added Value Tax, the consumers' tax, or something else) can be found. We will never find it, however, until we first get rid of the preposterous income-tax system we now have.

Instead of enacting the Tax Reform Act of 1969, Congress should pass a resolution submitting the Liberty Amendment to the states for ratification. The Liberty Amendment would, among other things, abolish the federal income-tax system by repealing the Sixteenth Amendment — and thereby compel the federal government to adopt a better taxing system.

HOPE OF THE WORLD

My regular Christmas *Report*, "The Hope of the World," dated December 22, 1969, is already off the press, available for those who want quantities to use as Christmas greetings. If you have never seen this issue, and would like to read it to determine whether you want to use it as a Christmas greeting, you may order a single copy. Our regular reprint prices apply — 25¢ for a single copy, quantity prices as shown below.

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FOOTNOTES

(1) *Free Choice*, September-October, 1969, p. 1, published by National Right To Work Committee, 1900 L Street N.W., Washington, D.C. 20036
(2) *Bulletin*, Southern States Industrial Council, Sep. 15, 1969
(3) Right To Work Committee press release, Nov. 3, 1969
(4) Manion Forum Weekly Broadcasts 775 and 776, Aug. 10 and 17, 1969
(5) *Brief Regarding The Taxation Of Incomes, Inheritances And Gifts And The "Tax Reform Act Of 1969,"* Robert B. Dresser, 15 Westminster Street, Providence, Rhode Island

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